

# **State of Alaska FY2008 Governor's Operating Budget**

## **Department of Environmental Conservation Response Fund Administration Component Budget Summary**

## Component: Response Fund Administration

### Contribution to Department's Mission

Manage the Oil and Hazardous Substance Release Prevention and Response Fund as a viable, long-term funding source for the state's core spill prevention and response initiatives and provide administrative support services to divisions programs.

### Core Services

- Management of the Prevention and Response Accounts of the Oil and Hazardous Substance Release Prevention and Response Fund.
- Recover state costs for responding to spills.
- Track and report all operating and capital expenditures and fund source balances to program managers monthly.
- Manage and coordinate receipt and expenditure of federal dollars for cleanup of federal facilities.
- Develop cost controls and standardize division contracts.
- Manage term contracts and issue Notices to Proceed (NTPs).
- Provide guidance and assistance to other Spill Prevention and Response programs in general administrative functions such as budget preparation, expenditure tracking, human resources, and procurement.
- Provide administrative and financial support during emergency spill response situations.
- Manage and track funding under the charter agreement.
- Manage Reimbursable Services Agreements for the division.
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End Results	Strategies to Achieve Results
<p><b>A: State is reimbursed for funds spent on cleanup or remediation of oil or hazardous substance spills caused by private and/or federal entities.</b></p> <p><u>Target #1:</u> 80% of cost recoverable state funding spent on cleanup or remediation of oil or hazardous substance spills caused by private and/or federal entities is recovered.</p> <p><u>Measure #1:</u> % of state funding reimbursed for cost recoverable expenditures incurred on cleanup or remediation of oil or hazardous substance spills caused by private and/or federal entities.</p>	<p><b>A1: Provide adequate documentation to the Department of Law for cost recoverable sites.</b></p> <p><u>Target #1:</u> Adequate documentation is provided for 100% of cost recoverable sites.</p> <p><u>Measure #1:</u> % of cost recoverable sites with adequate documentation for billings.</p>

Major Activities to Advance Strategies
<ul style="list-style-type: none"> <li>• Identify and pursue sources of cost recovery to assist in funding response, removal and remediation of oil and hazardous substance releases.</li> <li>• Manage term contracts and issue Notices to Proceed to implement cleanup of contaminated sites.</li> <li>• Provide financial management of federal contracts to ensure expenditure of federal dollars are maximized and spent appropriately.</li> </ul>

### FY2008 Resources Allocated to Achieve Results

**FY2008 Component Budget: \$1,547,300**

**Personnel:**

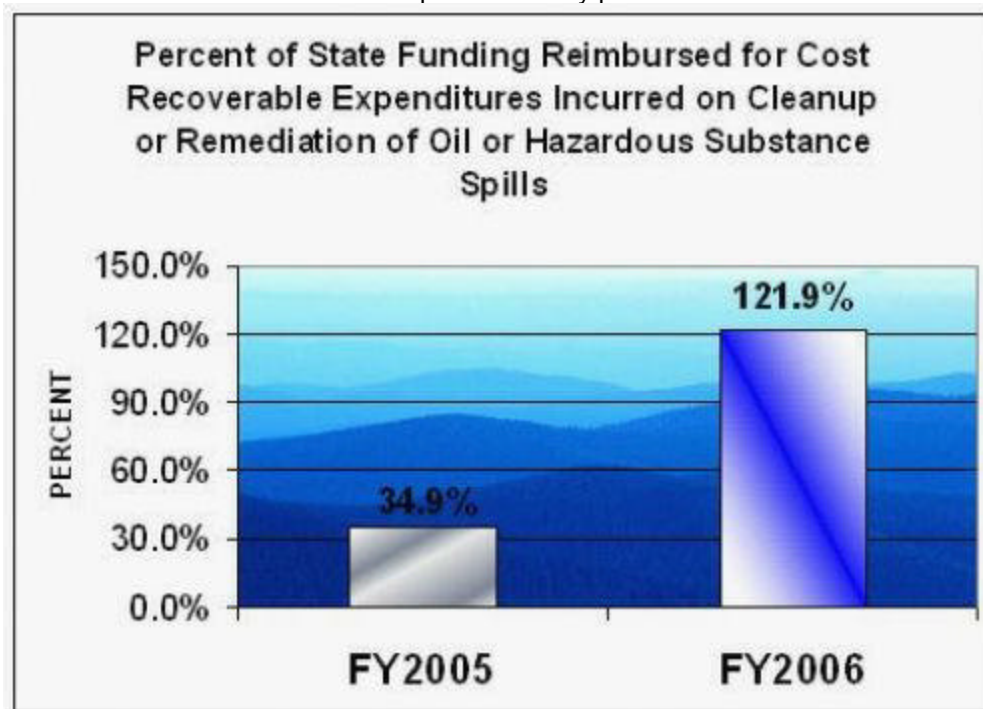
Full time	5
Part time	0
<b>Total</b>	<b>5</b>

### Performance Measure Detail

#### A: Result - State is reimbursed for funds spent on cleanup or remediation of oil or hazardous substance spills caused by private and/or federal entities.

**Target #1:** 80% of cost recoverable state funding spent on cleanup or remediation of oil or hazardous substance spills caused by private and/or federal entities is recovered.

**Measure #1:** % of state funding reimbursed for cost recoverable expenditures incurred on cleanup or remediation of oil or hazardous substance spills caused by private and/or federal entities.



**Analysis of results and challenges:** When the state incurs expenditures for response, cleanup, or remediation of a spill or contamination caused by oil or hazardous substances, we are obligated to try to recover those costs. Once a party or parties responsible for a spill or contamination is identified, they are notified of their possible financial responsibility. In cases lacking an identified responsible party the state either absorbs the cost of cleanup or requests reimbursement through the National Pollution Fund Center if it is determined that the spill condition meet their specific criteria. State expenditures for travel, contractual, supplies, equipment, and legal guidance are tracked for each site. Staff time is tracked and an average salary cost for each position classification is applied to ensure that personal services costs are equitably charged. As costs accumulate, a summary invoice with backup documentation is prepared on a quarterly basis and forwarded to project managers for review and validation. Billing packages are forwarded to Department of Law where they are reviewed and sent to the responsible party(s).

Cost are not usually recovered in the same year as the expenditures. After billings are sent, it may take several

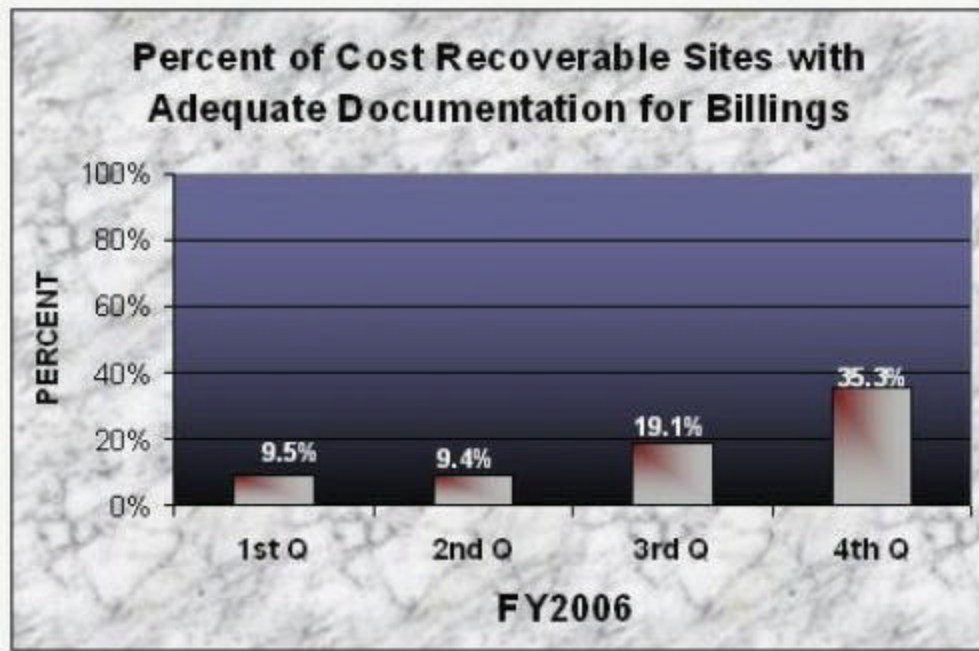
months, or even several years to actually recover costs. Due to the time lag between billings and receipt of payments, more may be recovered in a single year than was expended. Data that covers several years will provide the best picture of cost recovery success.

Cost recovery efforts for the Selendang response were quite extensive, complex and time consuming to prepare which created a backlog in the daily cost recovery efforts. During the last 6 months of the fiscal year, cost recovery efforts were directed to reducing the backlog.

### **A1: Strategy - Provide adequate documentation to the Department of Law for cost recoverable sites.**

**Target #1:** Adequate documentation is provided for 100% of cost recoverable sites.

**Measure #1:** % of cost recoverable sites with adequate documentation for billings.



**Analysis of results and challenges:** When the state incurs expenditures for response, cleanup, or remediation of a spill or contamination from oil or hazardous substances caused by non-state entities, we are obligated to try to recover those costs. Once a party or parties responsible for a spill or contamination is identified, they are notified of their possible financial responsibility. State expenditures for travel, contractual, supplies, equipment and legal guidance are tracked for each site. Hours spent by staff are tracked and documented on Site Logs, and an average salary cost is applied so that personal services costs are equitably charged rather than being based on actual range and step of an employee. As costs accumulate, a summary invoice with backup documentation is prepared on a quarterly basis and forwarded to project managers for review and validation. Project managers forward the approved billing packages to Department of Law. Billings are reviewed and sent to the responsible party(s) by the Department of Law.

During the last 6 months of FY2006, cost recovery efforts were directed to the backlog that was created due to the Selendang response. We continue cost recovery on the Selendang and because this is more manageable, the division has made considerable progress toward decreasing the backlog.

### **Key Component Challenges**

Determine a long-term fiscal plan for the division taking into account the effect of the reduction in crude oil production from the North Slope, the reduced amount of interest earned on Response Fund accounts and other factors.

Review and streamline cost recovery through implementation of an automated billing system.

Update draft cost recovery regulations.

### Significant Changes in Results to be Delivered in FY2008

None.

### Major Component Accomplishments in 2006

Billed 289 responsible parties for over \$2.55 million of state costs.

Prepared 289 cost recovery billings totaling \$2.66 million.

Received \$3.10 million in revenue in FY2006 from current and previous years cost recovery billings, fines and settlements.

Issued 78 term contract notices to proceed for \$2.34 million to conduct cleanup, site assessment or monitoring.

Managed \$2.4 million of Reimbursable Service Agreements under 26 separate RSAs for spill prevention and response activities carried out by other agencies.

Negotiated a compensatory time agreement plan for division staff to better accommodate spill response related activities.

Closed the Underground Storage Tank Revolving Loan Fund program in response to legislation that eliminated funding and the Board of Storage Tank Assistance.

### Statutory and Regulatory Authority

AS 46.03, AS 46.08, 18 AAC 785, 18 AAC 78.

Contact Information
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### Response Fund Administration Component Financial Summary

*All dollars shown in thousands*

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	388.3	391.3	445.9
72000 Travel	5.7	7.5	7.5
73000 Services	939.6	1,089.9	1,089.9
74000 Commodities	9.5	4.0	4.0
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>1,343.1</b>	<b>1,492.7</b>	<b>1,547.3</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	36.1	38.4	39.7
1052 Oil/Hazardous Response Fund	1,307.0	1,454.3	1,507.6
<b>Funding Totals</b>	<b>1,343.1</b>	<b>1,492.7</b>	<b>1,547.3</b>

### Estimated Revenue Collections

Description	Master Revenue Account	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
<b><u>Unrestricted Revenues</u></b>				
None.		0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b><u>Restricted Revenues</u></b>				
Federal Receipts	51010	36.1	38.4	39.7
<b>Restricted Total</b>		<b>36.1</b>	<b>38.4</b>	<b>39.7</b>
<b>Total Estimated Revenues</b>		<b>36.1</b>	<b>38.4</b>	<b>39.7</b>

**Summary of Component Budget Changes  
From FY2007 Management Plan to FY2008 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2007 Management Plan</b>	<b>0.0</b>	<b>38.4</b>	<b>1,454.3</b>	<b>1,492.7</b>
<b>Proposed budget increases:</b>				
-FY 08 Retirement Systems Rate Increases	0.0	1.3	53.3	54.6
<b>FY2008 Governor</b>	<b>0.0</b>	<b>39.7</b>	<b>1,507.6</b>	<b>1,547.3</b>

**Response Fund Administration  
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2007</u> <u>Management</u> <u>Plan</u>	<u>FY2008</u> <u>Governor</u>		
			Annual Salaries	259,787
Full-time	5	5	Premium Pay	0
Part-time	0	0	Annual Benefits	199,673
Nonpermanent	0	0	<i>Less 2.95% Vacancy Factor</i>	(13,560)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>5</b>	<b>5</b>	<b>Total Personal Services</b>	<b>445,900</b>

**Position Classification Summary**

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	1	0	1
Accounting Tech III	0	0	2	0	2
Administrative Assistant	0	0	1	0	1
Administrative Manager IV	0	0	1	0	1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>5</b>